



**STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
STATE CAPITOL
NASHVILLE, TENNESSEE 37243-0285**

**DAVE GOETZ
COMMISSIONER**

FOR IMMEDIATE RELEASE
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OCTOBER REVENUES

NASHVILLE - Significant corporate tax refund requests led to a decrease in franchise and excise tax collections for October, putting collections at \$703.5 million, or 6.42% less than October 2006 collections.

"Unusually large refund requests by corporate taxpayers for overpayments in the 2007 fiscal year made F&E collections weaker than expected," Department of Revenue Commissioner Reagan Farr said. "The significant outflow of refunds may be an early sign of a softening economy and less robust revenue collections."

"Continuing to be conservative is critical as we begin to navigate what appears to be a softening economy," said Finance & Administration Commissioner Dave Goetz.

On an accrual basis, October is the third month in the 2007-2008 fiscal year.

October collections were \$100.0 million less than the budgeted estimate. The general fund was under collected by \$102.4 million and the four other funds were over collected by \$2.4 million.

Sales tax collections were \$16.5 million less than the estimate for October. The October growth rate was 1.84 %.

Franchise and excise taxes combined were a negative \$58.7 million and were \$75.7 million below the budgeted estimate of \$17.0 million.

Gasoline and motor fuel collections increased by 2.45 % and they were \$3.5 million above the budgeted estimate of \$72.7 million.

Inheritance taxes were under collected by \$.9 million for the month. All other taxes were under collected by a net \$10.4 million.

Year-to date collections for three months were \$135.9 million less than the budgeted estimate. The general fund was under collected by \$145.3 million and the four other funds were over collected by \$9.4 million.

The budgeted revenue estimates are based on the State Funding Board's consensus recommendation adopted by the first session of the 105th General Assembly in June of 2007.

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| <p align="center">REVENUE COLLECTIONS OCTOBER, 2007, AND 3 MONTHS YEAR-TO-DATE</p> |
|---|

October Collections:

| | Budgeted Accrual Estimate | Actual | Difference |
|--------------------|--|----------------------|------------------------|
| General Fund | \$651,906,000 | \$549,469,000 | (\$102,437,000) |
| Highway Fund | 57,965,000 | 58,862,000 | 897,000 |
| Sinking Fund | 26,701,000 | 26,582,000 | (119,000) |
| City & County Fund | 63,368,000 | 65,036,000 | 1,668,000 |
| Earmarked Fund | 3,581,000 | 3,526,000 | (55,000) |
| Total | \$803,521,000 | \$703,475,000 | (\$100,046,000) |

Year-To-Date Collections:

| | Budgeted Accrual Estimate | Actual | Difference |
|--------------------|--|------------------------|------------------------|
| General Fund | \$2,262,305,000 | \$2,116,999,000 | (\$145,306,000) |
| Highway Fund | 173,098,000 | 176,971,000 | 3,873,000 |
| Sinking Fund | 80,025,000 | 79,688,000 | (337,000) |
| City & County Fund | 188,433,000 | 194,237,000 | 5,804,000 |
| Earmarked Fund | 8,792,000 | 8,878,000 | 86,000 |
| Total | \$2,712,653,000 | \$2,576,773,000 | (\$135,880,000) |

Table 1
Tennessee Department of Revenue
Comparative Statement of Collected Revenues

| Class of Tax | October | | | |
|-------------------------------|----------------------|----------------------|-----------------------|---------------|
| | 2006 | 2007 | Change | Percent |
| Franchise & Excise | \$7,558,000 | (\$58,675,000) | -\$66,233,000 | -876.33% |
| Income | 3,647,000 | 4,710,000 | 1,063,000 | 29.15% |
| Inheritance & Estate | 14,745,000 | 7,023,000 | -7,722,000 | -52.37% |
| Gasoline | 50,754,000 | 53,514,000 | 2,760,000 | 5.44% |
| Petroleum Special | 5,336,000 | 5,527,000 | 191,000 | 3.58% |
| Tobacco | 10,365,000 | 23,136,000 | 12,771,000 | 123.21% |
| Beer | 1,546,000 | 1,483,000 | -63,000 | -4.08% |
| Motor Vehicle Registration | 18,706,000 | 18,323,000 | -383,000 | -2.05% |
| Motor Vehicle Title | 929,000 | 1,005,000 | 76,000 | 8.18% |
| Mixed Drink | 4,276,000 | 4,628,000 | 352,000 | 8.23% |
| Business | 1,332,000 | 1,091,000 | -241,000 | -18.09% |
| Privilege | 25,688,000 | 24,218,000 | -1,470,000 | -5.72% |
| Gross Receipts | 70,000 | 167,000 | 97,000 | 138.57% |
| TVA - In Lieu of Tax Payments | 21,115,000 | 22,012,000 | 897,000 | 4.25% |
| Alcoholic Beverage | 3,090,000 | 3,151,000 | 61,000 | 1.97% |
| Sales and Use | 564,131,000 | 574,524,000 | 10,393,000 | 1.84% |
| Motor Vehicle Fuel | 18,229,000 | 17,098,000 | -1,131,000 | -6.20% |
| Severance | 109,000 | 190,000 | 81,000 | 74.31% |
| Coin-operated Amusement | 21,000 | 7,000 | -14,000 | -66.67% |
| Unauthorized Substance | 78,000 | 344,000 | 266,000 | 341.03% |
| Total | \$751,725,000 | \$703,476,000 | (\$48,249,000) | -6.42% |

Table 2
Tennessee Department of Revenue
Comparative Statement of Collected Revenues

| Class of Tax | August - October | | | |
|-------------------------------|------------------|-----------------|---------------|---------|
| | 2006-2007 | 2007-2008 | Change | Percent |
| Franchise & Excise | \$294,792,000 | \$280,554,000 | -\$14,238,000 | -4.83% |
| Income | 7,409,000 | 7,616,000 | 207,000 | 2.79% |
| Inheritance & Estate | 26,980,000 | 23,880,000 | -3,100,000 | -11.49% |
| Gasoline | 153,500,000 | 161,641,000 | 8,141,000 | 5.30% |
| Petroleum Special | 16,314,000 | 16,945,000 | 631,000 | 3.87% |
| Tobacco | 31,411,000 | 61,529,000 | 30,118,000 | 95.88% |
| Beer | 4,790,000 | 5,118,000 | 328,000 | 6.85% |
| Motor Vehicle Registration | 60,251,000 | 58,939,000 | -1,312,000 | -2.18% |
| Motor Vehicle Title | 2,937,000 | 2,886,000 | -51,000 | -1.74% |
| Mixed Drink | 12,704,000 | 13,545,000 | 841,000 | 6.62% |
| Business | 5,771,000 | 5,997,000 | 226,000 | 3.92% |
| Privilege | 74,632,000 | 75,260,000 | 628,000 | 0.84% |
| Gross Receipts | 14,214,000 | 14,079,000 | -135,000 | -0.95% |
| TVA - In Lieu of Tax Payments | 57,447,000 | 72,229,000 | 14,782,000 | 25.73% |
| Alcoholic Beverage | 9,303,000 | 9,826,000 | 523,000 | 5.62% |
| Sales and Use | 1,676,137,000 | 1,719,622,000 | 43,485,000 | 2.59% |
| Motor Vehicle Fuel | 48,295,000 | 45,786,000 | -2,509,000 | -5.20% |
| Severance | 340,000 | 554,000 | 214,000 | 62.94% |
| Coin-operated Amusement | 64,000 | 40,000 | -24,000 | -37.50% |
| Unauthorized Substance | 411,000 | 728,000 | 317,000 | 77.13% |
| Total | \$2,497,702,000 | \$2,576,774,000 | \$79,072,000 | 3.17% |

Table 3
August - October Revenue Overcollections/(Undercollections)
Budgeted Estimate

| | General Fund | Other Funds | Total |
|-----------------------------|-------------------------|------------------------|-------------------------|
| Sales Tax | \$ (37,600,000) | \$ (1,800,000) | \$ (39,400,000) |
| Income Tax | 700,000 | 300,000 | 1,000,000 |
| Inheritance Tax | 700,000 | 0 | 700,000 |
| Privilege Tax | (8,100,000) | 100,000 | (8,000,000) |
| Business Tax | 500,000 | 0 | 500,000 |
| TVA | 4,700,000 | 3,400,000 | 8,100,000 |
| Gross Receipts | (200,000) | 0 | (200,000) |
| Gasoline & Motor Fuel Taxes | 200,000 | 5,900,000 | 6,100,000 |
| Motor Vehicle Registration | 400,000 | 800,000 | 1,200,000 |
| Other Taxes | (29,100,000) | 700,000 | (28,400,000) |
| Sub-Total | \$ (67,800,000) | \$ 9,400,000 | \$ (58,400,000) |
| F & E Taxes | (77,500,000) | 0 | (77,500,000) |
| Total | \$ (145,300,000) | \$ 9,400,000 | \$ (135,900,000) |